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Report Highlights:

"What's New, Eh?" * China Opens Door Wider to Canadian Pork * U.S. Fishery Product Exporters Capture Growing Share of Import Market * Federal Softwood Lumber Aid Totals C\$246.5 Million * Feds to Defend CWB If WTO Case Raised * Canada's Rejection of Cairns Group Triggers Alarm * Ex-Dairy Farmers of Canada President to Chair Dairy Commission * 2002 Wheat, Barley, Canola Down, Soybean Production Up, Says Statistics Canada * Nutrition Bars Have Come a Long Way
... and MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

DNA RESEARCH COULD BE WORTH MILLIONS TO BEEF INDUSTRY: University of Saskatchewan researchers have come up with the world's first reliable DNA test for selectively breeding beef cattle with superior meat quality - a discovery that could mean more than C\$100 million a year in increased revenues to Western Canada's beef industry. "This discovery is of global importance and a key development in the genetic improvement of cattle," said Bernard Laarveld, head of animal and poultry science. The test can identify which cows and bulls have a specific genetic variant that has been found to increase marbling in beef and hence improve flavor. Since cattle with this genetic variant are more likely to produce beef of grade AAA or higher, use of the test also has the potential to increase the value of selected breeding animals. The test is not invasive and does not introduce any new genes or involve gene transfer. All that's needed is a small sample of blood, hair roots, or semen. A former graduate student who worked on the project, has started a company called Quantum Genetics Inc. to offer the DNA test and has applied for a Canadian patent on the use of the test in feedlot operations. For more information, see the University of Saskatchewan webpage at: www.usask.ca

CHINA OPENS DOOR WIDER TO CANADIAN PORK: According to agricultural press reports, China has approved an additional ten Canadian pork processing plants, smoothing the way for additional approvals. Canada and China have a Protocols of Understanding in place permitting the import of pork, beef and poultry meat products into China from Canada, including poultry feet removed prior to evisceration. In 2001, China ranked 12th among export destinations for Canadian pork, but was also an important buyer of edible pork offal from Canada. The Canadian Food Inspection Agency (CFIA) claims there is a lengthy process for plant approval to export to China. The newly approved Canadian establishments include both abattoirs and cutting plants. One plant is in Ontario and two are in Alberta. The rest are located in Quebec, Canada's largest pork producing province. The CFIA is hopeful that more plant approvals will be forthcoming in the near future.

U.S. FISHERY PRODUCT EXPORTERS CAPTURE GROWING SHARE OF IMPORT MARKET: Canada's total commercial fish and seafood catch during 2001 reached an estimated 1,030,666 metric tons, nearly 6% above the level of a year earlier. Most of the growth in the total catch was attributable to increased landings of groundfish, predominantly hake, shellfish increases, and higher farmed-raised production of salmon and mussels. In 2001, Canada was the second most important export market for U.S. edible fish and seafood after Japan and accounted for \$575 million in sales. The U.S. share of the Canadian import market for edible fish and seafood rose to 44% and marked the fourth consecutive year that U.S. fish and seafood exporters captured an increased share. The U.S. processed fish and seafood items that achieved the top growth rates in exports to Canada over the 1997-2001 period were prepared fish sticks, other prepared fish and fresh salmon. U.S. export growth levels were also strong for imitation seafood categories during the period. For more information see the Fishery Products Annual, CA2118.

FEDERAL SOFTWOOD LUMBER AID TOTALS C\$246.5 MILLION: The October 8 edition of the *Globe and Mail* reported that the Liberal government unveiled a C\$246.5 million federal assistance for the Canadian forest industry hit by a continuing softwood lumber war with the United States. The aid package provides funding for research, worker training and job-sharing programs, and support for communities harmed by the trade dispute. C\$40 million was allocated towards fighting the pine beetle infestation in north-central British Columbia that gives affected wood an ink-stained appearance and prevents it from being sold at high prices. Some of the other measures include: (1) C\$71-million for measures to assist displaced workers; (2) C\$110-million for a national Softwood Industry and Community Adjustment Fund to support community economic development; (3) C\$23.5-million for the creation of a center of excellence for pulp and paper in Trois-Rivières, Quebec; (4) C\$2-million to support a boreal forest research consortium in the Saguenay-Lac-Saint-Jean region of Quebec. Although the package did not contain loan guarantees for small and medium-sized business hurt by the U.S. duties, Natural Resources Minister Herb Dhaliwal said such a measure was not out of the question, citing a need to provide further support should the softwood lumber issue with the U.S. remain unresolved for an extended period. In Canada, the U.S. duties are

causing some Canadian lumber producers to close mills and lay off thousands of workers, while other producers are running their mills flat-out to achieve economies of scale. Of the provinces, British Columbia has been hardest hit, since it accounts for roughly half of the \$10-billion a year in U.S.-bound lumber exports.

FEDERAL SOFTWOOD AID GETS MIXED RECEPTION: According to the October 9 edition of the *Globe and Mail*, the C\$246.5-million aid package for softwood workers and communities was immediately dismissed as inadequate by the provinces yesterday and many in the industry yesterday. British Columbia and Quebec assailed the package as scant help for a sector struggling to cope with the 27 % U.S. duties in a cross-border timber war. "I think it is insufficient and inadequate," said B.C. Forest Minister Mike de Jong, the Minister of Forests for British Columbia. Forestry industry officials in B.C. have forecast that another 20,000 sawmill employees will soon be added to the 5,000 who are already out of work. Mr. De Jong said the aid package only offers about C\$100-million in direct assistance to forestry workers. Quebec natural resource minister Francois Gendron called the package a "mockery", saying it provides only C\$20-million in new money for his province, where about 1,100 workers have lost jobs so far. Earlier in the year, the federal government announced close to C\$100-million in mid-May to help marketing Canadian wood around the world, to support research and development and to fund campaigns to garner U.S. support for Canada's position in the dispute. Federal Trade Minister Pierre Pettigrew said there wasn't a consensus among forestry players in support of loan guarantees. The chief executive officer of one of B.C.'s largest lumber producers, Doman Industries Ltd., said he feels let down by Prime Minister Jean Chrétien and Finance Minister John Manley. B.C. union leaders say Ottawa has thrown workers a "Band-Aid" solution. Welcoming the aid announcement was the pro free-trade BC Lumber Trade Council.

FEDS TO DEFEND CWB IF WTO CASE RAISED: According to October 5, 2002 coverage by the *Globe and Mail* of a *Reuters News Agency* article, the Canadian federal government will vigorously defend the Canadian Wheat Board (CWB) against any complaint the U.S. lodges with the World Trade Organization, officials said on October 4. "The government stands behind the wheat board and how it operates," said a spokesman for Ralph Goodale, the cabinet minister responsible for the wheat board. The comments followed allegations that the U.S. Trade Representative was preparing to file a complaint against the CWB with the World Trade Organization. If a WTO panel finds the board's export practices illegal, it could force Canada to change the way the country's wheat is marketed or face sanctions. A 15-member board of directors runs the wheat board, with five federally-appointed directors and ten elected Western Canadian farmers. The directors now have the power to dilute the wheat board's export monopoly. Five are up for re-election in December, and a slate of at least eight farmers opposed to the wheat board's monopoly have been campaigning vigorously.

CANADA'S REJECTION OF CAIRNS GROUP TRIGGERS ALARM: According to the October 3 edition of *Canadagriculture Online*, the Canadian Agri-Food Trade Alliance (CAFTA) is calling on the Canadian federal government to reconsider its decision to reject the Cairns Group's negotiating proposal on domestic farm support programs. CAFTA is a national coalition representing crop and livestock producers, food processors and food exporters who support liberalization of agri-food trade in the World Trade Organization (WTO) negotiations now underway. Canada is the only Cairns Group country to reject the domestic support proposal which seeks substantial cuts in commodity-specific programs. Two years ago the Canadian government supported a similar Cairns position, according to CAFTA, and has not yet provided an adequate explanation for its about-face. "Canada cannot go it alone," says CAFTA president Liam McCreery. "We need to join forces with the Cairns Group and other like-minded countries if we hope to stand any chance of obtaining meaningful trade reform and improved income prospects for the vast majority of Canadian farm families. We urge the Canadian government to reconsider." Otherwise, CAFTA believes, Canada could become increasingly isolated and marginalized in the WTO negotiations.

EX-DAIRY FARMERS OF CANADA PRESIDENT TO CHAIR DAIRY COMMISSION:

The October 3 edition of *Canadagriculture Online* reported that Canadian Federal agriculture Minister Lyle Vanclief has appointed John Core to replace Michel Page as chair the Canadian Dairy Commission (CDC). The former southern Ontario dairy farmer served as chair of Dairy Farmers of Ontario (DFO, and known as the Ontario Milk Marketing Board until 1995) from 1990 to 2001. He was also president of Dairy Farmers of Canada (DFC, the national producer lobby organization) from 1999 to 2001. The CDC is a federal body involved in a wide range of regulatory activities related to the dairy industry. Among its responsibilities is the support of industrial milk prices through a program which buys surplus skim powder and butterfat off the market.

2002 WHEAT, BARLEY, CANOLA DOWN, SOYBEAN PRODUCTION UP, SAYS STATISTICS CANADA:

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Crop conditions continued to deteriorate in western Canada since July. Rains and freezing temperatures delayed harvest and downgraded quality. Total 2002 wheat production is down 25% to 15.5 MMT, barley production is down nearly 30% to 7.7 MMT, corn is unchanged at 8.1 MMT, and canola is 33% down to 3.3 MMT. Soybean production for 2002 is up 41%, estimated at 2.3 MMT. Industry sources indicate that there are potentially additional reductions in production estimates when Statistics Canada releases its December 5 crop report because of further crop deterioration since the September 6-14 crop survey took place. The harvest is well behind schedule and there are reports of substantial frost damage. Environment Canada weather experts are also cautioning that the effects of *El Niño* this winter may result in warmer temperatures and reduced precipitation across the Prairies in the form of snowfall, further exacerbating depleted soil moisture reserves in Western Canada. For more information, see GAIN report CA2119.

VANCLIEF TO LEAD TRADE MISSION TO MEXICO AND CHILE: Lyle Vanclicf, Minister of Agriculture and Agri-Food (AAFC), will lead a trade mission to Mexico and Chile from October 11-17, 2002. According to AAFC, the mission will provide an opportunity to showcase Canada's Agricultural Policy Framework, which promotes Canada as a world leader in food safety, innovation, and environmentally responsible production. Mission delegates will meet with business and government leaders to promote partnerships and alliances that could enhance trade. Mexico and Chile are strong markets for Canadian companies, with combined Canadian exports of agri-food products of about \$660 million in 2001 (\$611 mil., Mexico, \$48 mil., Chile). Mexico is Canada's largest trading partner in Latin America. Canadian agricultural exports to Mexico are predominantly red meats, cereal grains and oilseeds. Canada's access to the Mexican market has increased considerably since the implementation of the North American Free Trade Agreement. Canada and Chile signed the Canada-Chile Free Trade Agreement in 1997. Canada's top agricultural exports to Chile are wheat, lentils and malt.

SNOW AND RAIN SLOW SASKATCHEWAN HARVEST PROGRESS: A wet week slowed harvest progress, according to Saskatchewan Agriculture, Food and Rural Revitalization's latest weekly crop report. It is estimated that 22%, or just over seven million acres, of the 2002 crop is yet to be harvested. This is greater than the five-year average (1997-2001) of five percent of the crop remaining in the field at this time. It is reported that 68% of the spring wheat crop has been harvested. Seven percent of the wheat harvested to date is expected to grade No. 1 Canada Western (1 CW), 21% - 2 CW, 38% - 3 CW, and 34% Canada Feed. Wheat quality is down from the 10-year average of 52% grading No. 1. Snow flattened standing crops and pushed swaths lower to the ground in a number of areas. Crop reporters report increased damage to unharvested crops from migratory birds, with frost, wind, dampness and humidity also causing crop damage. Crop reporters indicate improved soil moisture conditions have increased optimism for producers making decisions about next year's crop. Fall field work underway includes baling straw and second cut hay, hauling bales, and fall cultivation.

NUTRITION BARS HAVE COME A LONG WAY: Increasing numbers of health and nutrition conscious Canadians are reaching for nutrition bars. The category is booming with a 63 % gain for the 52 weeks ending July 13, 2002, reports ACNielsen MarketTrack. Right now Canadians have 51 brands of health bars from which to choose. The nutritional bar trend starts with three categories – energy bars, balanced nutrition bars and meal replacement bars – which are now spawning different variations in each main segment. The growing consumer trend is towards a balanced nutritional approach: a balance of carbohydrates, protein and fat in the diet. Source: Canadian Grocer E-Newsletter, October 7/02.

Did You Know ...that after the United States, Canada ranks as the second largest producer of cranberries in the world with British Columbia (75 %) and Quebec (18%) as the main producing areas in Canada. According to Ocean Spray Grower Relations, the total acreage in production in Canada was 8,237 during 2001.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2119	Wheat, Barley and Canola Down, Soybeans Up, Reports Statistics Canada	10/10/2002
CA2118	Fishery Products Annual	10/10/2002

CA2117	This Week in Canadian Agriculture, Issue 34	10/03/2002
CA2116	Deciduous Fruit Annual	10/02/2002
CA2115	Vending Machine Food Distribution In Canada	10/01/2002
CA2114	Canadian Food Brokers	09/23/2002

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